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Electronic Filing of Federal Tax Returns

Questions and Answers About the IRS Electronic Filing Program

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Questions and Answers About Electronic Filing

What is Electronic Filing?

Electronic filing is a method by which qualified electronic filers transmit tax return information directly to an IRS center over telephone lines.

What are the advantages of Electronic Filing?

Electronic filing offers advantages for taxpayers, tax practitioners and the government alike:

For taxpayers, tax returns are processed fast and accurately. Processing time is reduced by as much as three weeks, so refunds are received much faster.

For individual income tax returns, Direct Deposit is available to those who wish to have their refunds deposited directly into their savings or checking account.

For practitioners

- IRS acknowledges receipt of return information within 48 hours from the time the return was transmitted.

- clients can be offered a special service.

For the government, costs for processing, storage and retrieval of tax returns is reduced, saving tax dollars.

What qualifications must an Electronic Filer have to transmit returns electronically?

Electronic filers must have communications experience and equipment to transmit returns electronically to the IRS or be associated with another firm that has these capabilities. Applicants must comply with IRS acceptance requirements for electronic filing, including a qualifications check.

Why do electronically filed returns have fewer errors than paper returns?

Electronic returns have an error rate of approximately 3% compared to 16% for paper returns. The error rate is lower for electronic returns because the computer programs that prepare the returns contain checks to eliminate math errors. Also, programs in the Electronic Filing System validate the data in electronic returns. If any errors are found, the return is identified to the transmitter for correction and retransmission to the IRS center.

Why are electronically filed returns processed faster than paper returns?

Paper returns go through several manual processes that are automated or eliminated for electronically filed returns. The chart below compares the steps for paper returns and electronic returns.

Paper Returns	*Electronic Returns*
1. Paper returns arrive for processing	**1.** Returns are received via telephone lines on a computer
2. Employees hand-sort returns by category	**2.** Tapes are created from the receiving computer and loaded to the Electronic Filing System (EFS) computer
3. Employees number and batch the returns	**3.** Programs on the EFS computer validate, number, code and edit the electronic returns
4. Employees code and edit information from the returns	**4.** Returns are loaded into IRS mainframe programs for returns processing
5. Employees key data from the returns into the Distributed Input System (DIS)	
6. Data from DIS is input to IRS mainframe for processing.	

Are special computers needed to participate?

No. Most computers can be adapted to file tax returns electronically.

Returns may be transmitted over the Public Switched Telephone Network using a 4800 BPS Bell 208B compatible modem. If they choose, return transmitters may also provide their own leased 9600 BPS data lines. Transmitters who wish to obtain leased 9600 BPS data lines must write to:

Chief, Systems Development Branch
Room 6449 ARFB
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Data Communications Requirements:

1. Character code must be Extended Binary Coded Decimal Interchange Code (EBCDIC) or American Standard Code for Information Interchange (ASCII).

2. Communications protocol must be IBM 3780 bi-synchronous (BSC) for the 4800 BPS transmitters. Transmitters with the 9600 BPS leased lines may use IBM 3780 BSC or the CCITT's Packet-Switching Network Interface Standard X.25.

Electronic Filing Interest Card

Name

Organization Name (if applicable)

Street

City *State* *Zip Code*

☐ *I would like more information about how to file my return electronically.*

☐ *I would like more information about how to become an electronic return transmitter.*

Complete both sides and mail to the nearest IRS office

Is software available for preparing Electronic Returns?

The IRS does not provide software programs. Programs may be developed from specifications provided by the IRS. Many tax professionals purchase commercially available software packages.

Are there any fees connected with this service?

The IRS does not charge a fee for electronic filing. Some electronic filers charge an additional fee for providing this service to their clients. When a fee is charged, however, it must be the same for all clients (like fees for like returns) and cannot be based on the amount of refund.

What tax forms can be filed electronically?

Most commonly used individual federal tax forms and schedules can be filed electronically. For tax year 1989, electronic filing is limited to returns showing a refund. Forms 1040EZ, 1040A and Form 1040 can be filed, including the following schedules: A, B, C, D, E, F, R, and SE, as well as Forms W-2, W-2P, W-2G, 2106, 2119, 2441, 3903, 4136, 4137, 4255, 4562, 4684, 4797, 4835, 5329, 6198, 6251, 6252, 8283, 8582, 8598, 8606, and 8808.

How does the IRS handle signature requirements on electronically filed returns?

Taxpayers must sign Form 8453, *U.S. Individual Income Tax Declaration for Electronic Filing.* Both spouses' signatures are required for joint returns. The preparer will give the taxpayer the required preparer-signed copy of the tax return, including a copy of the completed Form 8453.

What is Direct Deposit?

Taxpayers may choose to have the Treasury Department deposit their refunds into their personal savings or checking accounts by electronic funds transfer. Any Federal or State chartered bank, savings and loan association, mutual savings bank, credit union, or similar institution can be designated to receive a Direct Deposit provided the taxpayer has an account at that institution. Additional restrictions may apply. The deposited refund will be reflected in the account balance, but taxpayers will not receive a notice of the direct deposit.

Is an electronically filed return more likely to be audited?

Electronic filing does not make it more or less likely that the return will be audited.

Where can I get more information?

For information on any of the IRS electronic filing programs, contact the IRS at 1-800-424-1040 and ask for the Electronic Filing Coordinator, or fill out and mail the Electronic Filing Interest Card attached to this brochure.

What other paperless returns does the IRS accept?

The IRS also has magnetic tape filing programs for:

Form 1041, *U.S. Fiduciary Income Tax Return*

Form 1065, *U.S. Partnership Return of Income*

Form 5500-C, *Return/Report of Employee Benefit Plan*

Form 5500-R, *Registration Statement of Employee Benefit Plan*

Your Electronic Filing Coordinator can tell you how to get more information on these programs.